

Message Text

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ACTION EB-11

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FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC PRIORITY 8316

UNCLAS SANTIAGO 2185

E.O.11652:N/A

TAGS: EIND CI

SUBJ: URGENT NEED FOR ALPHA CELLULOSE
(DISSOLVING PULP)

REF: SANTIAGO 5713 (TRADE OPPORTUNITY)

1. SUMMARY. LOCAL NYLON MANUFACTURERS UNABLE TO OBTAIN ALPHA CELLULOSE (DISSOLVING PULP) AND, AS RESULT, FACE JULY SHUTDOWN WHICH, THEY SAY WOULD SERIOUSLY AFFECT MORE THAN 400 DOWNSTREAM CONSUMING FIRMS. ORLANDO SAENZ AND INDUSTRY REPS TRYING TO ENLIST USG ASSISTANCE AND WISH APPOINTMENT WITH EB DEPUTY ASSISTANT SECRETARY SIDNEY WEINTRAUB AND ASSISTANT SECRETARY (TREASURY) JOHN HENNESSY MONDAY, APRIL 29 TO DISCUSS PROBLEM. EMBASSY RECOMMENDS APPROPRIATE ASSISTANCE. END SUMMARY.

2. ORLANDO SAENZ VISITED AMBASSADOR APRIL 23 WITH JOSE GARCES OF INDUSTRIA NACIONAL DE RAYON, AND JOSE SAID OF RAYON SAID. GROUP REQUESTED USG HELP TO OBTAIN ALPHA CELLULOSE (DISSOLVING PULP) FROM INTERNATIONAL PULP SALES CO. AND ITT RAYONIER INC., BOTH OF NEW YORK.

3. LOCAL RAYON FIRMS HAVE BEEN TRYING FOR SOME TIME TO CONVINCE ABOVE-NAMED U.S. FIRMS TO SUPPLY CHILE WITH CELLULOSE EVEN THOUGH U.S. FIRMS ADAMANT THEY HAVE TOTALLY COMMITTED THEIR PRODUCTION AND ARE UNWILLING OR UNABLE TO BREAK COMMITMENTS. MINECON LENIZ ADDED UNCLASSIFIED

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HIS WEIGHT BY APPEALING TO FIRMS WITHOUT RESULT.

4. ACCORDING TO SAENZ, INDUSTRY CANNOT FIND NON-U.S. SUPPLIERS AND IS NOW FACING IMMINENT SHUT-DOWN AS CELLULOSE STOCKS DUE TO RUN OUT COMPLETELY BY MID-JULY. SHUT-DOWN WOULD NOT ONLY AFFECT TWO RAYON FIRMS BUT ALSO OVER 400 DOWNSTREAM CONSUMING COMPANIES. SAENZ POINTED OUT THAT ECONOMIC/SOCIAL CONSEQUENCES OF SHUTDOWNS WOULD BE IMMENSE. HE ASKED AMBASSADOR'S HELP ARRANGE APPOINTMENT FOR HIM, SAID, AND GARCES WITH SIDNEY WEINTRAUB (STATE) AND JOHN HENNESSY (TREASURY) ON MONDAY, APRIL 29 IN ONE MORE ATTEMPT TO SEEK SOLUTION OF THIS PROBLEM.

5. AMBASSADOR SAID HE UNDERSTOOD SERIOUSNESS OF THIS PROBLEM TO CHILE BUT COULD NOT GIVE NO ASSURANCES RE MATTER. RECALLED THAT EMBASSY HAD ATTEMPTED WITHOUT SUCCESS (REFTEL) TO FIND CELLULOSE SUPPLIER IN U.S. AMBASSADOR SAID U.S. BUYERS THEMSELVES SUFFERING FROM CURRENT WORLD-WIDE SHORTAGE OF PRODUCT, BUT PROMISED TO INFORM DEPARTMENT OF LOCAL CONCERN AND REQUEST APPOINTMENT.

6. EMBASSY AWARE THAT CHILEAN EFFORT TO ENLIST USG ASSISTANCE IN SECURING CELLULOSE MAY NOT CHANGE PRIVATE COMPANY DECISIONS, BUT GIVEN SERIOUSNESS OF REPERCUSSIONS THE SHUTDOWN OF THE RAYON INDUSTRY WOULD HAVE ON GOC'S RECONSTRUCTION EFFORTS, EMBASSY RECOMMENDS THAT USG BE AS HELPFUL AS POSSIBLE.

7. ACTION REQUESTED: REQUEST PRIORITY REPLY WHETHER WEINTRAUB/HENNESSY ABLE TO MEET WITH SAENZ GROUP ON APRIL 29, AND, IF SO, TIME AND PLACE. IF REPLY NEGATIVE, WOULD OTHER INTERESTED OFFICIALS BE AVAILABLE.
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